



DEFENSE LOGISTICS AGENCY  
DEFENSE ENERGY SUPPORT CENTER  
8725 JOHN J. KINGMAN ROAD, SUITE 4950  
FORT BELVOIR, VA 22060-6222

IN REPLY  
REFER TO:

DESC-PH

October 5, 2005

Subject: Federal Excise Taxes for Defense Energy Support Center Into-Plane Contracts

Dear DESC Into-Plane Contractor:

The Defense Energy Support Center (DESC) is aware that as a result of the Safe, Accountable, Flexible, Efficient (SAFE) Transportation Equity Act: A Legacy for Users, Public Law 109-59 (Aug. 10, 2005), refiners began collecting at the rack the kerosene Federal Excise Tax (FET) of \$0.244 on JP-8, Jet A and similar kerosene-based fuels which was effective October 1, 2005.

As a result, Fixed Based Operators (FBOs), including DESC's Into-Plane contractors, will begin paying their suppliers the kerosene tax rate of \$0.244. When the FBO delivers the fuel into the aircraft for use in non-commercial aviation, it qualifies for the "fuel used in aviation" rate of \$0.219. Consequently, the FBO should charge non-commercial aviation customers (which includes the U.S. Government) only \$0.219 FET. The FBO is the "ultimate vendor" in these transactions, and the registered ultimate vendor is the only entity authorized by the new law to file for the refund of the difference in the tax rates.

We do not plan any modification of DESC Into-Plane contracts at this time, because the FET rate that DESC pays on Into-Plane purchases will remain the same, \$0.219.

We understand the Internal Revenue Service (IRS) is working on implementing guidance and the mechanisms for registration and refund. We encourage you to monitor IRS's website for that guidance.

Sincerely,

DAVID W. PETERSON  
Chief, Into-Plane Fuels Division  
Direct Delivery Fuels